

## **Appendix A - R-2001-1 Rate Case Summary of Presort Related Changes**

### **First-Class Mail Rate Structure and Mail Preparation**

#### **Lower Additional Ounce for Presorted and Automation Rates**

- Currently, there is a single additional ounce rate for all pieces mailed at First-Class Mail rates. For presorted and automation pieces weighing more than 2 ounces, a heavy piece discount is deducted.
- The Postal Service is proposing a lower additional ounce rate for First-Class Mail sent at Presorted and automation rates (including automation carrier route).
- Pieces mailed at single-piece rates would pay \$0.23 for each additional ounce.
- Pieces mailed at any discount rate would pay \$0.225 for each additional ounce.
- This change would affect only postage rates; there would be no proposed eligibility or mail preparation changes.

#### **Automation Basic Rate Split Into Two New Rates**

For automation cards and letters:

- The current rate structure contains a 5-digit, 3-digit, and basic rate.
- The proposed rate structure would split the basic rate into an automated area distribution center (AADC) rate (for all pieces in an AADC tray) and a mixed AADC rate (for all pieces in a mixed AADC tray).
- The AADC rate would also apply to pieces in a less-than-full origin 3-digit tray.
- There are no proposed sortation changes for automation cards and letters. The 5-digit sort level would be optional and; all other sort levels would be required.

For automation flats:

- The current rate structure contains a 5-digit, 3-digit, and basic rate.
- The proposed rate structure would split the basic rate into an area distribution center (ADC) rate (for all pieces in an ADC package or tray) and a mixed ADC rate (for all pieces in a mixed ADC package or tray).
- The ADC rate also would apply to pieces in a less-than-full origin 3-digit tray. There are no proposed sortation changes for automation flats. The 5-digit sort level would still be optional; all other sort levels would be required.

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### **Non-machinable Surcharge**

The proposed criteria for the non-machinable surcharge for letter-size mail would be listed in DMM C050.2.2.

- The non-machinable surcharge would apply to single-piece and Presorted rate letters that weigh 1 ounce or less and meet one or more of the criteria in that section.
- The non-machinable surcharge also would apply to single-piece, Presorted, and automation rate non-letters (flats and parcels) that weigh 1 ounce or less if any one of the following applies:
  - (a) The piece is greater than 1/4-inch thick.
  - (b) The length is more than 11-1/2 inches or the height is more than 6-1/8 inches.
  - (c) The aspect ratio (length divided by height) is less than 1.3 or more than 2.5.

The non-machinable surcharge would be:

- \$0.12 for single-piece rate pieces.
- \$0.055 for Presorted and automation rate pieces.
- The non-machinable criteria in C050.2.2 would not apply to pieces mailed at any card rate.
- The non-machinable surcharge also would apply to letter-size pieces (including pieces mailed at the card rate) for which the mailer has chosen the manual only ("do not automate") option.
- This proposed change is consistent with the proposed non-machinable surcharge for Standard Mail.

In conjunction with this change:

- Trays of machinable and non-machinable letters would be prepared and labeled differently.
- The preparation for machinable letters would be similar to the current preparation for upgradable letters (including the optional 5-digit sort level).
- The preparation for non-machinable pieces would be similar to the current package-based preparation for Presorted letters.
- The current weight limit for upgradable letters (2.5 ounces) would be replaced with a weight limit of 3.3 ounces for machinable letters. Letters heavier than 3.3 ounces that are less than 1/4-inch thick would use the non-machinable preparation and labeling but would not pay the surcharge (because it would apply only to pieces that weigh 1 ounce or less).

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On tray labels:

- The current "NON BC" designation would be replaced with one of two designations: "MACH" for machinable pieces or "MANUAL" for non-machinable pieces.
- Although Presorted cards would not be subject to the surcharge, mailers would be required to show on the tray label whether or not those pieces are machinable (for instance, a double card that is not tabbed is non-machinable).
- The "MANUAL" designation would help the Postal Service direct the trays of mail to the appropriate mail processing operation.
- Mailers who choose the "do not automate" option would show "MANUAL" on Line 2 of the tray label, as currently required.
- Software vendors should note that, as proposed, machinable and non-machinable (manual) letters will use different content identifier numbers (CINs).
- There are no proposed preparation or labeling changes for Presorted flats or parcels subject to the surcharge.
- Mail preparation instructions for Presorted letter-size pieces subject to the non-machinable surcharge would be in DMM M130.
- Preparation instructions for automation flats subject to the non-machinable surcharge would not change (see current DMM M820).
- The surcharge would take effect when the new rates are implemented, however, the Postal Service is proposing a 6-month phase-in period for these mail preparation and tray labeling changes.

### **Containerization and Labeling**

For letter-size pieces:

- The definition of a full tray would change from the current threshold of 75% to 100%, with a range between 75% and 100%
- The recommended default for presort software would be 85%.

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- After the minimum volume for rate eligibility is reached (i.e., 150 pieces for a 3-digit area), overflow would be optional for all sort levels of letter trays.
- Mailers would be required to use as few trays as possible.
- Under current standards where allowed, a mailer could prepare one full 1-foot tray plus one less-than-full 1-foot tray. New standards would result in the preparation of a single less-than-full 2-foot tray in this same situation.
- On all First-Class Mail letter trays, "LTRS" would change to "LTR" and "CR-RTS" would change to "CR-RT." This change would be necessary to allow more room for other information on the tray label.

<b>Periodicals Rate Structure and Mail Preparation Changes</b>
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### **Proposed Changes**

Proposed changes to the rate design for Periodicals are as follows:

- New DADC discounts for Outside-County and Science-of-Agriculture Periodicals that would be deducted from the pound and addressed per piece rates.
- A change that would limit destination rates and discounts to mail entered at destination facilities (DDU, DSCF, and DADC).
- A new per piece discount for each addressed non-letter-size piece (flat-size and irregular parcel) prepared in packages on pallets that contain at least 250 pounds of mail (except overflow pallets). This discount would apply to all pallet levels. The discount would not apply to pieces in sacks on pallets or in trays on pallets.
- In addition to the per piece pallet discount, a new destination entry per piece pallet discount would apply to each addressed piece of non-letter-size mail (flats and irregular parcels) prepared in packages on any destination entry pallet of at least 250 pounds of mail (except overflow pallets). The discount is not available for pieces in sacks or trays on pallets.
- In conjunction with the non-machinable surcharge, it is proposed that any Periodical returned to the sender at First-Class Mail rates is subject to the non-machinable surcharge if the piece weighs 1 ounce or less and meets any one of the non-machinable criteria in C050.2.2.

### **Periodicals Ride-Along**

- The Ride-Along experiment would become a permanent classification.

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- There would be no proposed changes in the current standards for eligibility.
- Publishers would no longer be required to complete a data collection questionnaire, provide a sample in addition to the marked copy, or submit an additional copy of Form 3541-X (postage statement).
- Form 3541-X would be discontinued and mailers would use Form 3541. The standards for Ride-Along would be relocated to new DMM E260. The Ride-Along rate would increase from \$0.10 to \$0.124 per piece.

### **Containerization**

For letter-size pieces:

- The definition of a full tray would change from the current threshold of 75% to 100%, with a range between 75% and 100%.
- The recommended default for presort software would be 85%.
- After the minimum volume for rate eligibility is reached (i.e., 150 pieces for a 3-digit area), overflow would be optional for all sort levels of letter trays.
- Mailers would be required to use as few trays as possible.
- Under current standards where allowed, a mailer could prepare one full 1-foot tray plus one less-than-full 1-foot tray. New standards would result in the preparation of a single less-than-full 2-foot tray in this same situation.
- The measurement for the minimum volume of trays on pallets would be measured in linear feet, not by the number of layers of trays.

<b>Standard Mail Rate Structure and Mail Preparation Changes</b>
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### **Automation Basic Letter Rate Split Into Two New Rates**

- For automation letter-size pieces:
- The current rate structure contains a 5-digit, 3-digit, and basic rate.
- The proposed rate structure would split the basic rate into an AADC rate (for all pieces in an AADC tray) and a mixed AADC rate (for all pieces in a mixed AADC tray).

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- The AADC rate also would apply to all pieces in any less-than-full origin or entry 3-digit or 3-digit scheme tray.
- There are no proposed sortation changes for automation letter-size pieces.
- The 5-digit sort level would still be optional; all other sort levels would be required
- Unlike in First-Class Mail, where the proposed ADC and mixed ADC rates would apply to automation flats, there are no proposed changes to the rate structure for Standard Mail automation flats.

### **Non-machinable Surcharge**

- A non-machinable surcharge is proposed for Standard Mail letter-size pieces.
- The definition would include any physical criteria that could make a mailpiece non-machinable.
- Pieces that are non-machinable are excluded from automated processing and must be handled manually. Non-machinable pieces also may impede mail flow or damage the mail or mail processing equipment. Manual letters are considerably more costly to process than machinable letters.
- The proposed criteria for non-machinability for letter-size pieces are in DMM C050.2.2.
- The non-machinable surcharge would apply to Presorted rate letter-size pieces (including cards) that weigh 3.3 ounces or less and meet one or more of the criteria in that section.
- Unlike First-Class Mail, where the non-machinable surcharge would also apply to flats, the Postal Service is not proposing to add a non-machinable surcharge to Standard Mail flats.
- The Standard Mail rate structure includes separate rates for letters and non-letters and factors in the extra costs of handling non-machinable non-letters.
- The non-machinable surcharge would be \$0.04 per piece for regular rate pieces and \$0.02 per piece for nonprofit rate pieces.
- The non-machinable surcharge also would apply to Presorted rate letter-size pieces for which the mailer has chosen the "manual only" (do not automate) option.
- This proposed change is consistent with the proposed non-machinable surcharge for First-Class Mail.

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- In conjunction with this change, trays of machinable and non-machinable letters would be prepared and labeled differently.
- The preparation for machinable letters would mirror the current preparation for upgradable letters (including the optional 5-digit sort level).
- The preparation for non-machinable pieces would mirror the current package-based preparation for Presorted letters.
- The current weight limit for upgradable letters (2.5 ounces) would be replaced with a weight limit of 3.3 ounces for machinable letters.
- On tray labels, the current "NON BC" designation would be replaced with one of two designations: "MACH" for machinable pieces or "MANUAL" for non-machinable pieces.
- The "MANUAL" designation would help the Postal Service direct the trays of mail to the appropriate mail processing operation. Mailers who choose the "do not automate" option would show "MANUAL" on Line 2 of the tray label, as currently required.
- Software vendors should note that, as proposed, machinable and non-machinable (manual) letters will use different content identifier numbers (CINs).
- Mail preparation instructions for Standard Mail pieces subject to the non-machinable surcharge are found in DMM M610.
- The surcharge would take effect when the new rates are implemented, however, the Postal Service is proposing a 6-month phase-in period for these mail preparation and tray labeling changes.

### **Heavier Letters Are Eligible for Automation Rates**

- The maximum weight limit for automation letters would increase from 3.3 ounces to 3.5 ounces (inclusive).
- These pieces would be charged postage equal to the automation piece/pound rate for that piece and receive a discount equal to the automation non-letter piece rate (3.3 ounces or less) minus the corresponding automation letter piece rate (3.3 ounces or less) for the appropriate sort level.
- This change applies to regular and nonprofit automation letters.

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- For instance, each heavy automation letter sorted to a 5-digit tray would receive a discount equal to the 3/5 automation non-letter rate minus the 5-digit automation letter rate.

### As an example:

Using the proposed postage rates, a regular automation letter weighing 3.4 ounces that is sorted in a 3-digit tray for DSCF entry would be charged:

Non-letter piece rate (more than 3.3 ounces), 3/5 rate	\$0.115
Plus	
Non-letter pound rate (more than 3.3 ounces), 3/5 rate, DSCF entry (3.4 ounces divided by 16 ounces equals 0.2125 pounds, multiplied by \$0.583 per pound) (rounding off to four decimal places)	0.1239
Equals	0.2389
Minus a discount that equals the 3/5 non-letter piece rate (3.3 ounces or less) for DSCF entry minus the 3-digit letter piece rate (3.3 ounces or less) for DSCF entry (0.235 minus 0.177)	- .058
Equals postage per piece	\$0.1809

- This proposed change would allow mailers to avoid the substantial rate increase for letter-shaped pieces exceeding 3.3 ounces. Under the current rate schedule, once an automation letter exceeds the 3.3-ounce maximum weight, the piece become subject to the piece/pound rates.
- There are no proposed mail preparation changes that accompany this change; these heavy letters would be required to meet the current standards for heavy automation letters in DMM C810.7.5 and would use the existing mail preparation sequence and labeling for automation letters.
- Mailers who choose to take this discount for heavy automation letters would be required to use a new postage statement to be designed for this purpose.
- Current standards for mixed rate mailings would not change.
- Pieces from a heavy letter mailing that cannot be barcoded would be mailed at single-piece First-Class Mail rates or prepared as a Presorted Standard Mail letter mailing with postage paid at the piece/pound rate (for pieces over 3.3 ounces).



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- Like today, these residual pieces would not need to meet a separate 200-piece or 50-pound minimum (see DMM E620.1.2).

### **Barcode Requirement for ECR Letter-Size Pieces**

- Enhanced Carrier Route (ECR) letter-size pieces mailed at high-density and saturation per piece rates would be required to meet the physical standards for automation-compatible mail in DMM C810 and would be required to have a delivery point barcode.
- Pieces using simplified address would not be required to have a delivery point barcode, and therefore, would not need to meet the physical standards for automation-compatible mail.
- This change would apply to both ECR and Nonprofit ECR.
- The proposed automation-compatible requirement corresponds to the requirement for a delivery point barcode - for the Postal Service to read the barcode, the piece must be compatible with automated mail sorting equipment.
- These requirements would not apply to detached address labels (DALs) that accompany flat-size pieces or irregular parcels. Even though the DAL itself is letter-sized, technically it is the label for the larger piece.
- Pieces that do not meet the physical standards in C810 or that do not contain a delivery point barcode would be subject to the corresponding ECR high density or saturation non-letter rate.
- Pieces that are letter-size but claimed at the non-letter rates would be marked, sorted, and trayed as letters. Mailers also would have the option to pay the ECR basic letter rate (for which barcodes are not required).
- There are no proposed changes to the sequencing requirements, markings, or sortation for ECR pieces.
- Tray labels would change to reflect whether the pieces in the tray are barcoded ("BC"), not barcoded but machinable ("MACH"), or non-machinable, regardless of whether the pieces are barcoded ("MANUAL" or "MAN").
- Mailers would be required to use barcoded tray labels.

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- Pieces mailed with a simplified address format do not contain the necessary address elements to generate a delivery point barcode for that address. To qualify for the high density or saturation letter rates, those pieces would not have to bear a delivery point barcode, would not have to be automation-compatible, and would be labeled "MAN" (even if the pieces are automation-compatible).
- Pieces mailed with an exceptional or occupant address format (A040) do contain the enough address elements to generate a delivery point barcode, and therefore, must be automation-compatible and must have a delivery point barcode in order to claim the high density or saturation letter rates.
- Software vendors should note that, as proposed, within each of the three processing categories, the same content identifier number (CIN) would be used for all direct carrier route trays (full trays of mail for a single carrier route).
- Mailers would not be permitted to combine barcoded and non-barcoded pieces into the same mailing.

### **As an example:**

A mailer has 200 pieces to a single carrier route but was able to barcode only 175 of those pieces. The barcoded pieces would be placed in a direct carrier route tray and would qualify for the saturation letter rate. The remaining 25 non-barcoded pieces would qualify for the saturation non-letter rate (saturation because the density requirement has been met, non-letter because the pieces do not meet the new barcode requirement) but cannot be placed in the direct carrier route tray. Instead, the non-barcoded pieces would be packaged in walk sequence and placed in a 5-digit carrier routes tray or a 3-digit carrier routes tray with other carrier route packages of non-barcoded mail. It is possible that, for a single 5-digit destination, a mailer could create two 5-digit carrier routes trays: one that contains packages of barcoded mail, and one that contains packages of non-barcoded mail.

- The new requirements for high density and saturation letters would take effect when the new rates are implemented; however, the Postal Service is proposing a 6-month phase-in period for the tray label changes.
- Currently, there are two ways to meet the density requirement:
  1. There must be at least 125 pieces for a single carrier route or if there are fewer than 125 possible deliveries on the route, a piece must be addressed to every delivery on the route.
  2. To qualify for saturation rates, pieces must be addressed to at least 90% of the active residential deliveries or at least 75% of the total active deliveries.
- If a customer is meeting the high density standard by addressing a piece to each possible delivery (100%), then they also would qualify for saturation rates under

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either the 90% standard or the 75% standard, and would of course claim the lower saturation rate.

- Therefore, because no mailer would ever choose to qualify for the high-density rate via the 100% standard, it would be eliminated.

### **Heavier ECR Saturation and High Density Letters Are Eligible for Letter Rates**

- The maximum weight limit for automation-compatible ECR letters would increase from 3.3 ounces to 3.5 ounces (inclusive).
- These pieces would be charged postage equal to the non-letter piece/pound rate for that piece and receive a discount equal to the non-letter piece rate (3.3 ounces or less) minus the corresponding letter piece rate (3.3 ounces or less) for the appropriate sort level. This proposed change would apply to regular and nonprofit ECR saturation and high-density letters.
- For regular ECR, the discount would be \$0.005 per piece for high-density letters and \$0.008 per piece for saturation letters.
- For nonprofit ECR, the discount would be \$0.008 per piece for high-density letters and \$0.009 per piece for saturation letters.
- This change also would apply to pieces mailed at the ECR automation basic rate, but the calculation is slightly different because there are no corresponding non-letter rates with which to perform the calculation.
- These pieces would be charged postage equal to the basic non-letter piece/pound rate and receive a discount equal to the basic letter rate minus the automation basic letter rate. For regular ECR, the discount would be \$0.023 per piece. For nonprofit ECR, the discount would be \$0.015 per piece.
- In this proposal, all pieces mailed at high density and saturation letter rates will be automation-compatible; therefore, this change is consistent with the proposed change for regular Standard Mail heavy automation letters.
- This change would not apply to letter-size pieces that are mailed at the non-letter rates (because they are not automation compatible or do not have a barcode).
- This change would not apply to pieces mailed at the ECR basic letter rate (because the letter and non-letter rates are the same, there would be no discount to subtract) or to pieces mailed at the ECR automation basic letter rate (because there are no

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corresponding non-letter rates with which to perform the rate calculation) (see R600.2.0 and R600.4.0).

As an example, using the proposed postage rates, a high density letter weighing 3.4 ounces that is prepared for DSCF entry would be charged:

Non-letter piece rate (more than 3.3 ounces), high density	\$0.043
Plus	
Non-letter pound rate (more than 3.3 ounces), high density, DSCF entry (3.4 ounces divided by 16 ounces equals 0.2125 pounds, multiplied by \$0.485 per pound) (rounded off to four decimal places)	0.1031
Equals	0.1461
Minus a discount that equals the high density non-letter piece rate (3.3 ounces or less) for DSCF entry minus the high density letter piece rate (3.3 ounces or less) for DSCF entry (0.143 minus 0.138)	- .005
Equals postage per piece	\$0.1411

- This proposed change would allow mailers to avoid the substantial rate increase for letter-shaped pieces exceeding 3.3 ounces. Under the current rate schedule, once an ECR letter exceeds the 3.3-ounce maximum weight, the pieces become subject to the piece/pound rates.
- There are no proposed mail preparation changes that accompany this change; these heavy letters would be required to meet the current standards for heavy automation letters in DMM C810.7.5 and would use the existing mail preparation sequence and labeling for ECR letters. Mailers who choose to take this discount for heavy letters would be required to use a new postage statement to be designed for this purpose.

### Containerization and Labeling

- For letter-size pieces, the definition of a full tray would change from the current threshold of 75% to 100%, with a range between 75% and 100%.
- The recommended default for presort software would be 85%.
- In addition, after the minimum volume for rate eligibility is reached (i.e., 150 pieces for a 3-digit area), overflow would be optional for all sort levels of letter trays.
- Mailers would be required to use as few trays as possible.

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- Under current standards where allowed, a mailer could prepare one full 1-foot tray plus one less-than-full 1-foot tray. New standards would result in the preparation of a single less-than-full 2-foot tray in this same situation.
- In addition, the minimum volume of trays on pallets would be measured in linear feet, not by the number of layers of trays.
- On all Standard Mail letter trays, "LTRS" would change to "LTR" and "CR-RTS" would change to "CR-RT." This change would be necessary to allow more room for other information on the tray label.

### **Documentation**

- Software vendors and mailers should note that changes are proposed for manifest keyline rate codes (P910.3.0).
- Multi-line Optical Character Reader (MLOCR) rate markings have changed (P960.3.0) to reflect the new Standard Mail rates.